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NPIC/D-238-70

30 JUL 1970

MEMORANDUM FOR: Deputy Director of Intelligence

SUBJECT : New [] Automated Stereo Scanner Proposal

REFERENCE : [] Letter to NPIC Contracting Officer [], Dated 24 July 1970;
Same Subject

1. On 27 July the DDI Contracting Officer received a letter from [] (attached) in which he proposes that [] complete its work on the Automated Stereo Scanner under new conditions. [] letter proposes a fixed-price-incentive contract for a period of 13 months at a target cost of approximately [] and a ceiling price of approximately []

2. Major changes from [] previous proposal are the offer of a fixed-price-incentive contract instead of a cost-plus contract, and the deferral of all effort on the computer software. We previously had been unsuccessful in attempts to persuade [] to agree to a fixed-price-incentive contract. On the other hand, deferral of the software would deprive us of a critical element of the system -- an element which [] has had great difficulty in developing.

3. In April 1970, after reviewing the status of the Automated Stereo Scanner Project and an [] request for an additional [] to complete the equipment development, I decided to stop work at [] Up to that time this effort had cost us approximately [] I decided to contract in FY-70 for an independent engineering audit of this project by [] [] agreed and was contracted with to provide technical consultation services together with packing and shipping the equipment to [] This shipment is supposed to start on 3 August.

4. I intend to continue with the [] engineering audit. I am concerned that this new [] proposal is a delaying action. Therefore, I have instructed [] to respond to [] quickly, and that letter (attached) has been sent.

DECLASS REVIEW by NGA

Executive Director
National Photographic Interpretation Center

Attachments: (2)

GROUP 1
Excluded from automatic
downgrading and
declassification

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25X1

SUBJECT: New Automated Stereo Scanner Proposal

Distribution:

Original & 1 - Addressee
1 - DDY Planning Officer
1 - NPIC/PPRS
1 - NPIC/SS/SC&P
1 - NPIC/TSC/RED
2 - NPIC/ODIR

25X1

NPIC/ODIR: (30 July 1970)

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24 July 1970

Dear Norm,

25X1
Many times in the tortuous history of the development of the Stereo Scanner the question of completing the job under some sort of cost ceiling constraint has been raised. [] has always rejected this concept on the grounds that the highly developmental nature of the task makes a cost ceiling an unacceptable risk from the contractor's standpoint if the performance specifications are to be met. We still believe this position to be correct in principle, but we also recognize that our past performance on this program in the area of cost management has been such as to create understandably a measure of doubt as to whether we would successfully complete the job within our estimates. With this latter consideration in mind, we have once again examined the situation to determine whether there might be a mutually acceptable way for [] to deliver a technically satisfactory and useful Stereo Scanner under some type of ceiling cost constraint.

25X1
We would like to offer at this time for your consideration a plan which we believe would substantially meet the objective stated above. This plan is in summary as follows:

- 1) The Stereo Scanner would be delivered with all hardware features necessary for fully automatic operation as originally configured, but all effort on computer software would be deferred. A black box to handle housekeeping functions otherwise performed by the computer would be incorporated, so that the instrument as delivered would be semi-automatic.
- 2) The present cost-type contract would be considered complete and replaced with a fixed-price-incentive type of contract.
- 3) The existing technical requirements and performance specifications would be condensed, clarified, and quantified to develop a concise statement of work and quantitative hardware specification which would form the basis for the new contract. The objective here is not to downgrade the original performance objectives but to quantify them to the degree necessary to be consistent with a fixed price type of contract. Equipment performance and scope of work are presently defined by several documents dated in 1965, and do not reflect the quantitative data and technology that has evolved over the past four years.

25X1 The first step in implementing such a plan would involve a meeting between [] project management and technical personnel and their counterparts in your organization to begin the task of firming up the revised statement of work and definitive equipment specification. We believe that this might be accomplished in approximately two weeks time. After resolution of these matters to our mutual satisfaction, we would then submit a cost proposal on a fixed-price-incentive basis for performing the work defined.

Our current thinking on what such a proposal would look like runs somewhat as follows:

- 1) Period of performance - 13 months
- 2) Target Cost - approximately [] 25X1
- 3) Ceiling Price - approximately [] 25X1
- 4) Incentive Structure - a combination of a relatively low target profit, strong performance incentives, and a conventional cost-sharing formula, such as 70/30 under target cost and 90/10 over target cost, would seem appropriate.

Although we continue to believe that this plan involves considerable risk for the contractor, our interest in seeing this program through to a successful completion is such that we are prepared to take that risk. Since there is now in effect a firm plan to ship this piece of equipment to a competitive firm for additional work in the very near future, we would appreciate having an indication as to whether your organization is interested in the plan outlined as quickly as possible. I would be happy to discuss this plan with you at your convenience should you so desire.

Sincerely yours,

[] 25X1

JAW:dm

cc: []